PROVINCE OF SASKATCHEWAN

2009

ANNUAL REPORT

EXTENDED HEALTH CARE PLAN FOR CERTAIN OTHER EMPLOYEES

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Letters of Transmittal

His Honour, The Honourable Dr. Gordon L. Barnhart
Lieutenant Governor of the Province of Saskatchewan

May it Please Your Honour:

I have the honour to transmit herewith the thirteenth Annual Report of the Extended Health Care Plan For Certain Other Employees for the year ending December 31, 2009.

Rod Gantefoer
Minister of Finance

The Honourable Rod Gantefoer
Minister of Finance

Sir:

On behalf of the Advisory Committee, I have the honour to transmit herewith the thirteenth Annual Report of the Extended Health Care Plan For Certain Other Employees for the year ending December 31, 2009.

Brian Smith
Chair

Extended Health Care Plan For Certain Other Employees

Introduction

The Extended Health Care Plan For Certain Other Employees was established on January 1, 1997.

The Fund is used to account for the transactions of the Extended Health Care Plan For Certain Other Employees which provides health care benefits to certain out-of-scope employees.

As at December 31, 2009, participation in the Plan has been approved by the Lieutenant Governor in Council for out-of-scope employees of the Government of Saskatchewan as defined under *The Public Service Act.*

Advisory Committee Members

Brian Smith, Chair
Ministry of Finance (PEBA)

Kevin Wilson
Ministry of Health

Don Zerr
Public Service Commission

Will Loewen
Public Service Commission

Participating Employers

The following employers participate in The Extended Health Care Plan for Certain Other Employees:

Board of Arbitration under *The Surface Rights Acquisition and Compensation Act* (The)
Chief Electoral Officer (Office of the)
Children's Advocate (Office of the)
Enterprise Saskatchewan
Farm Land Security Board
Horned Cattle Fund
Information and Privacy Commissioner (Office of the)
Milk Control Board
Ombudsman (Office of the)
Saskatchewan Archives Board
Saskatchewan Municipal Board
The Government of Saskatchewan with respect to members of the Public Service of Saskatchewan as defined under *The Public Service Act, 1998*

Administration

The Public Employees Benefits Agency has established a fund pursuant to *The Financial Administration Act, 1993* for the purpose of providing benefits under the Plan. An Advisory Committee is responsible for the management and investment of the Fund. The Advisory Committee consists of four representatives as nominated by the Saskatchewan Public Service Commission and appointed by Minister's Order.

The Plan pays a monthly premium to Group Medical Services who provide insured extended health coverage to eligible employees. The Plan's risk is limited to the payment of premiums as follows under the two year contract effective January 1, 2010:

Single	$53.75	per month
Couple	$104.41	per month
Family	$128.81	per month

Under the two year contract which expired December 31, 2009 the monthly premium was as follows:

Single	$51.18	per month
Couple	$99.49	per month
Family	$122.67	per month

Funding

Funding for members covered is employer paid as follows:

- effective January 1, 1997 – 1.0% of straight time annual payroll;

- effective July 1, 2002 – 1.25% of straight time annual payroll;
- effective July 1, 2003 – 1.35% of straight time annual payroll;
- effective July 1, 2006 – 1.55% of straight time annual payroll.

Benefits

An employee is eligible for benefits at the start of the pay period immediately following a six month period of employment.

Claims are paid on behalf of all family members and covers certain health and vision care benefits.

Management's Report

To the Members of the Legislative Assembly of Saskatchewan

As members of management of the Extended Health Care Plan For Certain Other Employees, we are responsible for the preparation and presentation of the following financial statements in accordance with Canadian generally accepted accounting principles applied on a basis consistent with that of the preceding year.

The significant accounting policies adopted in the preparation of the financial statements are fully and fairly disclosed in the financial statements.

We believe the Extended Health Care Plan For Certain Other Employees has a system of internal control adequate to provide reasonable assurance that the accounts are faithfully and properly kept to permit the preparation of accurate financial statements in accordance with Canadian generally accepted accounting principles.

An Advisory Committee, as nominated by the Public Service Commission and appointed by Minister's Order, has been established and is responsible for reviewing the ongoing operations of the Plan.

We enclose the financial statements of the Extended Health Care Plan For Certain Other Employees for the year ended December 31, 2009 and the Provincial Auditor's report on these financial statements.

Brian Smith
Assistant Deputy Minister
Public Employees Benefits Agency

Perry Bahr
Director, Benefit Programs
Public Employees Benefits Agency

Kathy Deck, CGA
Director, Financial Services
Public Employees Benefits Agency

Regina, Saskatchewan
February 17, 2010

Extended Health Care Plan For Certain Other Employees

Financial Statements

Year Ended December 31, 2009

Auditor's Report

To the Members of the Legislative Assembly of Saskatchewan

I have audited the statement of financial position of the Extended Health Care Plan For Certain Other Employees (Plan) as at December 31, 2009 and the statements of operations and net assets, and cash flows for the year then ended. The Plan's management is responsible for preparing these financial statements for Treasury Board's approval. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with Canadian generally accepted auditing standards. Those standards require that I plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In my opinion, these financial statements present fairly, in all material respects, the financial position of the Plan as at December 31, 2009 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

Regina, Saskatchewan
February 17, 2010

Fred Wendel, CMA, CA
Provincial Auditor

Extended Health Care Plan For Certain Other Employees
Statement of Financial Position

Statement 1

As At December 31

	2009	2008
ASSETS		
Due from General Revenue Fund (Note 3)	$ 2,404,265	$ 319,388
Short-term Investments (Note 4)	-	1,712,160
Employer contributions receivable	243,417	220,021
	2,647,682	2,251,569
LIABILITIES		
Accounts payable and accrued liabilities (Note 7)	2,137	4,604
	2,137	4,604
Net assets (Statement 2)	$ 2,645,545	$ 2,246,965

(See accompanying notes to the financial statements)

Extended Health Care Plan For Certain Other Employees
Statement of Operations and Net Assets

Statement 2

For The Year Ended December 31

	2009		2008
	Budget (Note 8)	**Actual**	**Actual**
REVENUES			
Employer contributions (Note 1)	$2,640,000	$2,821,133	$2,556,705
Interest income (Notes 3 & 4)	52,625	10,232	58,465
	2,692,625	2,831,365	2,615,170
EXPENSES			
Insurance premiums	2,310,000	2,415,762	2,310,037
Administration (Note 7)	21,362	17,023	19,559
	2,331,362	2,432,785	2,329,596
Surplus for the year	361,263	398,580	285,574
NET ASSETS, BEGINNING OF YEAR	2,246,965	2,246,965	1,961,391
NET ASSETS, END OF YEAR (Statement 1)	$2,608,228	$2,645,545	$ 2,246,965

(See accompanying notes to the financial statements)

Extended Health Care Plan For Certain Other Employees
Statement of Cash Flows

Statement 3

For The Year Ended December 31

	2009	2008
Cash flows from (used in) operating activities:		
Employer contributions received	$ 2,797,737	$ 2,546,275
Interest income received	16,671	59,455
Insurance premiums paid	(2,416,412)	(2,307,173)
Advance repaid	-	(65,000)
Administration expenses paid	(18,840)	(17,675)
Cash flows from operating activities	379,156	215,882
Cash flows from (used in) investing activities:		
Purchase of investments	-	(6,685,242)
Proceeds from disposal of investments	1,705,721	6,549,112
Cash flows from (used in) investing activities	1,705,721	(136,130)
Net increase in Due From General Revenue Fund	2,084,877	79,752
DUE FROM GENERAL REVENUE FUND, BEGINNING OF YEAR	319,388	239,636
DUE FROM GENERAL REVENUE FUND, END OF YEAR	$ 2,404,265	$ 319,388

(See accompanying notes to the financial statements)

Extended Health Care Plan For Certain Other Employees
Notes to the Financial Statements

December 31, 2009

1. Description of the Plan

The Extended Health Care Plan For Certain Other Employees (Plan) was established on January 1, 1997 pursuant to subsection 64(2) of *The Financial Administration Act, 1993*. The Plan provides extended health care benefits to certain out-of-scope employees of the Government's ministries and other agencies.

The Plan is funded by employers, whose participation in the Plan has been approved by the Lieutenant Governor in Council. The Minister of Finance approved the contribution rate of 1.55% of regular payroll.

The Government, through the Minister of Finance, entered into an agreement with an insurance company to provide eligible employees with extended health coverage. The Plan's risk is limited to the payment of premiums to the insurance company.

The Public Employees Benefits Agency (PEBA) manages the Plan under direction from the Advisory Committee. The Advisory Committee is made up of employers' representatives appointed by Minister's Order.

2. Significant Accounting Policies

Pursuant to standards established by the Public Sector Accounting Board, the Plan is classified as an 'other government organization'. These financial statements are prepared in accordance with Canadian generally accepted accounting principles applicable to for-profit entities. The following accounting policies are considered significant.

a) Employer Contributions

Employers are billed premiums at the end of each month. Premiums are recognized as revenue when due.

b) Interest Revenue

Interest is recognized as income when earned.

c) Advance from General Revenue Fund

The advance was repayable on demand and was repaid during 2008.

d) Financial Instruments

Held for trading financial assets and liabilities are measured at fair value. Changes in the fair value are recognized in the Statement of Operations and Net Assets. For due from General Revenue Fund and short-term investments, fair value is determined as cost plus accrued income, which approximates market value. Loans and receivables and other financial liabilities are measured at amortized cost. Due to their short-term nature, the amortized cost of these instruments approximates their fair value.

e) Future Accounting Policy Changes

In December 2009, the Public Sector Accounting Board issued an amendment to the introduction to the Public Sector Accounting (PSA) Handbook. Effective for fiscal years beginning on or after January 1, 2011, other government organizations (OGOs) are directed to PSA standards unless these standards do not meet their users' needs. The Plan is classified as an OGO and will be assessing the appropriateness of adopting PSA standards.

3. Due from General Revenue Fund

The Plan's bank account is included in the Consolidated Offset Bank Concentration arrangement for the Government of Saskatchewan. The Plan's earned interest is calculated and paid by the General Revenue Fund on a quarterly basis into the Plan's bank account using the Government's thirty day borrowing rate, and the Plan's average daily bank account balance. The Government's average thirty day borrowing rate in 2009 was 0.47% (2008 – 2.57%).

4. Short-Term Investments

No short-term investments were held as at December 31, 2009. As at December 31, 2008, short-term investments were comprised of T-Bills, notes and commercial paper with effective interest rates of 1.5% to 3.2% and an average remaining term to maturity of 36 days. Investments are purchased through the Treasury and Debt Management Branch of the Ministry of Finance and are subject to the Ministry's investment guidelines. The guidelines require that investments must meet a minimum investment standard of "R-1" rating, as rated by a recognized credit rating service.

5. Advance from General Revenue Fund

The General Revenue Fund advanced the Plan monies when the Plan began operations. The advance was repaid during 2008. The advance was interest-free with no fixed maturity date and was repayable on demand.

6. Financial Risk Management

The nature of the Plan's operations result in a statement of financial position that consists primarily of financial instruments. The risks that arise are credit risk, market risk (consisting of interest rate risk) and liquidity risk.

Credit risk

Credit risk is the risk that one party does not pay funds owed to another party. The Plan's credit risk arises primarily from the following distinct sources:

	2009	2008
Due from General Revenue Fund	$2,404,265	$ 319,388
Short-term investments	-	1,712,160
Employer contributions receivable	243,417	220,021

The maximum credit risk to which the Plan is exposed is limited to the carrying value of the financial assets summarized above.

The credit risk for short-term investments is managed through a policy that requires investments to meet minimum investment standards as determined by a recognized credit rating agency.

The Plan is exposed to minimal credit risk from the potential non-payment of employer contributions as these are receivables from government agencies and were collected shortly after year end.

Market risk

Market risk represents the potential for loss from changes in the value of financial instruments. Values can be affected by changes in interest rates. The Plan is exposed to changes in interest rates on its short-term investments.

Liquidity risk

Liquidity risk is the risk that the Plan is unable to meet its financial obligations as they fall due. The Plan manages this risk by investing in financial assets with a very short-term to maturity.

7. Related Party Transactions

Included in these financial statements are transactions with various Saskatchewan Crown corporations, ministries, agencies, boards and commissions related to the Plan by virtue of common control or significant influence by the Government of Saskatchewan (collectively referred to as "related parties"). Related party transactions with the Plan are in the normal course of operations and are recorded at the agreed upon exchange amounts charged by these organizations.

All employer contributions and employer contributions receivable are from related parties. Also, PEBA charged the Plan $17,023 (2008 - $19,559) for administration expenses. Included in accounts payable and accrued liabilities is $1,075 (2008 – $2,892) due to PEBA.

Other transactions with related parties and amounts due to/from them are described separately in the financial statements and notes thereto.

8. Budget

PEBA prepares the budget for approval by the Advisory Committee.